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ABSTRACT

A study was undertaken to examine the factors that influenced the decision of firms to provide training for their employees. It also identified the types of training provided, how the training function was organized and administered within firms, and the extent to which firms provided formal training programs for their employees. The study was based on 100 indepth interviews with Ontario (Canada) firms that were engaged in formal training programs for their employees in 1987 and a mail survey of a sample of all firms in Ontario (563 usable responses from an initial sample of 2,394). Most firms that provided formal training programs viewed training as a necessary part of doing business. Their primary objective was to gain a competitive edge by improving the performance of their employees and their ability to adapt to new technologies. Firms that train gave the managerial, supervisory, and sales groups the highest priorities for training programs. The majority of firms filled job vacancies by recruiting qualified workers in the external labor market and prepared them with short-term training programs. Most training programs provided by private sector firms were shorter than 2 weeks in length and concentrated on providing specific skills. Responsibility for planning, budgeting, delivery, and evaluation of training programs was generally not highly structured and tended to be delegated to departmental or branch managers within firms. (The survey methodology is appended.) (YLB)

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The Training Decision: Training in the Private Sector.

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THE TRAINING DECISION:
TRAINING IN THE PRIVATE SECTOR

Ministry of Skills Development
April 1989

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TABLE OF CONTENTS

		PAGE
EXECUTIVE SUMMARY		iii
CHAPTER 1:	Introduction	1
CHAPTER 2:	Why Firms Train	5
CHAPTER 3:	Who Firms Train	11
CHAPTER 4:	The Training Decision and the External Labour Market	17
CHAPTER 5:	The Organization and Administration of Training in Private Firms	23
CHAPTER 6:	Private Sector's Views on Role of Government in Training	31
CHAPTER 7:	Private Sector Training and Government Assistance Programs	35
NOTES		39
APPENDIX:	Survey Methodology	41

Cette publication est disponible en français sous le nom de :
La formation professionnelle et le secteur privé
Choix et approches.

LIST OF CHARTS

		PAGE
CHART I:	Distribution of Firms' Responses on Why Training is a Necessity.	6
CHART II:	Distribution of Firms by Main Occupational Focus for Formal Training Programs.	12
CHART III:	Percent Distribution of Training Program Participants in Small and Medium Sized Firms by Type of Program, Ontario 1987.	14
CHART IV:	Distribution of Training Program Participants in Small and Medium Sized Firms by Program Duration, Ontario, 1987.	15
CHART V:	Distribution of Firms' Responses on Types of Occupational Shortages Expected Over the Next 5 Years . . .	18

EXECUTIVE SUMMARY

Along with investment in plant, equipment and new technologies, a well trained and flexible workforce is one of the keys to success in an era of tough global competition. Changing world trade patterns and increased international competition arising from falling trade barriers are forcing advanced industrial countries to shift their activities towards knowledge based capital intensive industries. This process is well underway in Canada and Ontario and will be accelerated by the Canada-U.S. Trade Agreement. Whether the transition succeeds or fails will depend in large measure on the adaptability and quality of our workforce.

Dramatic changes are also occurring on the supply side of the labour market. Because of slower labour force growth, Ontario employers face a prolonged period of labour shortage rather than one of surplus. As the labour force ages and fewer young people enter the labour market, a higher priority will have to be given to retraining people during their working lives. Given the demand and supply side pressures evolving in the labour market, changes in human resource development policies and practices will be required to meet the needs of the economy for well trained and skilled workers.

Employers, workers and governments all have a role to play in developing a high quality and adaptable workforce. For government, the challenge is to encourage employers to place a greater emphasis on training, and to develop programs which best complement and support private sector training activities.

To provide a more informed basis for review and discussion of these issues, this report presents the results of a research project on training activities among private sector firms. Factors which influence the decision of firms to provide formal training programs to their employees, who firms train, the incidence and characteristics of these programs, the organization of the training function in firms, and their perceptions on the role of government are examined in this report.

The main findings from this research include:

- Most firms which provide formal training programs view training as a necessary part of doing business and their primary objective is to gain a competitive edge by improving the performance of their employees and their ability to adapt to new technologies.

- Firms that train give the managerial, supervisory and sales groups the highest priorities for training programs; clerical, production and skilled workers are given the lowest priority.

- Although firms which supply formal training programs for their employees foresee shortages of skilled workers, the majority of them fill job vacancies by recruiting qualified workers in the external labour market and bring them up-to-speed in their new jobs as quickly as possible with short-term training programs.

- Most training programs provided by private sector firms are under two weeks in length and concentrate on providing new employees with the specific skills they need to perform their jobs, and on upgrading the skills of other employees.

- Responsibility for planning, budgeting, delivery and evaluation of training programs is generally not highly structured and tends to be delegated down to departmental or branch managers within firms.

- Concerning government's role in training, many firms see subsidization of training costs for short-term training programs (the primary focus of private firms' training activities) as the priority, while the perceived roles for government in long-term training are establishing training requirements, setting standards, certification, and subsidizing training costs.

- While the incidence of formal training programs among firms rises with firm size, among medium and smaller sized companies the overall incidence is about 27 percent.

From these findings, it is clear that most firms train to maintain their competitive position by improving the performance of employees and their ability to adapt to new technologies. Private firms' training programs are heavily concentrated on providing new employees with the specific skills they need to perform well in their jobs and on upgrading the skills of other employees. Given these objectives, formal training programs provided by firms are mainly of short duration to meet their own particular needs.

From a broader public policy perspective, governments allocate resources to training programs to improve the basic skills of the workforce and to contribute to developing qualified workers who can fill high

skilled jobs so that the economy can better adapt and prosper in a world of rapid technological change and increased international competition.

The formal training programs that individual firms provide for their employees undoubtedly make a contribution to meeting the overall competitiveness objective. The nature of the training programs private firms can reasonably be expected to sponsor for workers, however, has a number of implications for public policy. In this regard, how public sector resources and programs should be positioned to complement - rather than duplicate - the training activities of private firms needs careful consideration. The fundamental issues revolve around the relative roles and responsibilities of private firms and government on short-term versus long-term training programs for workers, and the types of co-operative ventures that should be developed to meet the economy's needs for workers with high level technical and trades skills.

CHAPTER I

INTRODUCTION

Since its creation in 1985, the Ontario Ministry of Skills Development has been actively involved in the development and implementation of policies and programs to strengthen skills training for Ontario's workforce. As stated in a recent Ministry discussion paper, Building a Training System for the 1990's: A Shared Responsibility[1], one of the Ministry's primary objectives is to encourage the private sector to play an increased role in skills training. Private sector firms account for about 78 percent of total employment in Ontario and are well positioned to identify skill and training needs and to meet those needs through delivering training programs to their employees.

Initiatives to encourage more training in the private sector reflect the belief that, along with investments in plant, equipment and new technologies, a well-trained and flexible work force is one of the keys to succeeding in an era of tough global competition. The need to remain competitive in international markets has become of central concern to governments. This view has received one of its fullest expressions in Ontario in the Premier's Council's reports on Competing in the New Global Economy.[2] Training to equip workers with the skills they need to cope with changes in the economy is increasingly seen as central to the strength of the economy and the welfare of society.

To provide a basis for reviewing policies and programs and to facilitate discussions with employers, workers, trade unions and other governments on human resource development issues, the Ministry of Skills Development has conducted a number of studies to identify labour market and training needs in Ontario and to assess the training system. In this report, results are presented from a special study undertaken to examine the factors which influence the decision of firms to provide training for their employees, the types of training provided, how the training function is organized and administered within firms, and the extent to which firms provide formal training programs for their employees.

The overall study is based on 100 in-depth interviews with Ontario firms which were engaged in formal training programs for their employees in 1987 and a mail survey of a sample of all firms in Ontario. For both the interview and the mail survey phase, samples were selected to provide a representative cross-section of firms across industry sectors and firm sizes.

One of the main objectives of the mail survey is to provide estimates on the extent to which firms provided formal training programs for their employees during 1987. At this point, only preliminary results from the mail survey for medium and smaller sized employers (those with less than 200 employees) are available.

For purposes of the interview and mail survey components of the study, formal training programs were defined as programs that have identifiable, structured plans and objectives designed to develop a worker's skills and competence either on the job, in a classroom or at specially equipped training sites. This includes

training conducted directly by the firm in-house and training which the firm buys from an outside supplier for employees or supports through tuition reimbursement policies. An overall statement on the design of the study is provided in an Appendix to this report.

In subsequent chapters research findings are presented on why firms train (Chapter 2); who firms train (Chapter 3); the training decision and the external labour market (Chapter 4); the organization and administration of training (Chapter 5); and views of private firms on government's role in employer-sponsored training. The report concludes with a brief discussion on the policy implications of this research.

CHAPTER 2

WHY FIRMS TRAIN

Given the highly competitive nature of today's economic environment, it is not surprising that almost all of the firms interviewed (91%) provide formal training programs because they believe training is a necessary part of doing business, not a luxury. This holds true whether the firm is small or large, and whether in the service or goods producing sector.

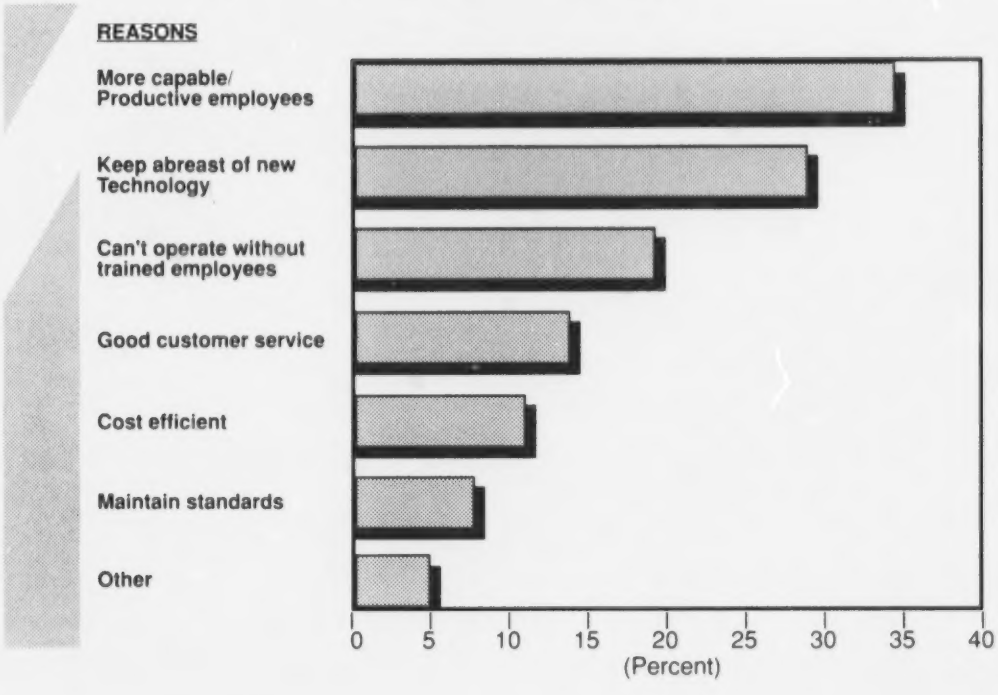
The most frequently cited reason for training being a necessity is that it results in more capable and productive employees. Other reasons include: training enables firms to keep abreast of new technologies; firms can't operate without trained employees; training leads to better customer service; and training improves cost efficiency (see Chart I).

As well, almost three quarters of the firms consider training to be one of a number of sources of competitive advantage for their enterprises. Other sources of competitive advantage for these firms are customer service, product quality, efficient employees, technology, advertising and the firm's reputation, research and development, and the price of the firm's product. Many of these factors can be influenced through skills training programs.

The link between training and competitive strength is also evident from the responses firms gave when asked to specify the main benefit of formal training. The main

CHART I

Distribution of Firms' Responses on Why Training is a Necessity



benefits most frequently reported were better performance and a more knowledgeable workforce (41%). Job enrichment is also important (39%), while other main benefits mentioned involve the ability to attract good personnel, competitiveness, and increased business.

Results from the mail survey for small and medium size firms in Ontario also indicate that a primary objective in providing formal training programs is to improve performance. Skills development programs provided by small and medium sized firms are usually aimed at assisting employees to perform their present jobs well. As shown in the distribution below, other objectives are to inform employees of technical and procedural changes, orientation of new employees, and meeting changing skill requirements.

PERCENT DISTRIBUTION OF OBJECTIVES REPORTED BY SMALL AND MEDIUM SIZED FIRMS FOR PROVIDING FORMAL TRAINING PROGRAMS, ONTARIO 1987

Objectives	Percent
Helping employees perform present jobs well	84.6
Develop employees' skills and knowledge	66.8
Inform of technical and procedural changes	53.2
Orientation of new employees	50.9
Meeting changing skill requirements	42.9
Qualify for future jobs within the company	42.5
Meeting regulatory requirements	24.3
Meeting affirmative action goals	15.6
Assisting relocation of workers	4.6
Meeting collective bargaining requirements	4.1

Note: Total exceeds 100 percent due to multiple responses.

With respect to the future focus of training programs, productivity improvements and improvements to quality will be the main focus of training in 30 percent and 28 percent, respectively, of the firms interviewed. In addition, new technology will be the main focus of training for 22 percent of firms, and new products or services for 14 percent in the future.

During the interviews, a distinction was made between factors in the firm's external environment and internal considerations which influence the decision to provide formal training programs. Concerning external pressures, over one-half of the firms (57%) responded that competition was an influence in the decision to institute formal training, and over one-third (35%) cited competition as the single most important outside pressure influencing the training decision. Other outside forces influencing the training decision include customer satisfaction, technological change, government laws and regulations, and buyer specifications.

The most important internal consideration entering into a firms' decision to invest in training is requests by employees for training (36% of firms). Another important internal pressure is demands from supervisors to improve employee performance. Given these findings, it is apparent that both management and workers play a role in the training decision.

Firms were also asked in the interviews to rate their training efforts relative to their competitors, even though benchmark data on industry norms against which firms can compare their performance are not available. Fully 90% of the firms interviewed perceive that the

amount of training they provide per employee is either equal to or greater than the average amount of training provided in their industry.

On developments that would lead firms to increase their training efforts, the most frequently mentioned was technological change (30%), which indicates that training is seen as a necessary commitment to the successful introduction of technological innovations by a significant number of training firms. Other factors involve productivity improvement, expansion, and changes in government regulations.

Turning to factors which inhibit firms from investing more in training, contrary to conventional wisdom, the risk of losing trained employees to other firms was not a major influence; it was mentioned by only 7 percent of the 100 firms interviewed. As will be noted in the next chapter, most training programs provided by firms are of short duration aimed at bringing employees up-to-speed in specific jobs as quickly as possible, a finding that helps explain why "risk of losing employees" is not an important factor in deterring firms from training. Over one-half identified expenditures for formal training as being too prohibitive to expand activities, and one-quarter of the firms interviewed mentioned downtime for training as an inhibiting factor.

In summary, firms that train do so because they believe training to be a necessary part of doing business. The most important training objectives are performance related. Training enables firms to be more competitive by developing capable and productive workers and by enabling firms to keep abreast of new

technologies. Cost is the major inhibiting factor to expanding training activities, while the most important factors that would lead firms to train more include technological change and the prospect of gains in productivity.

CHAPTER 3

WHO FIRMS TRAIN

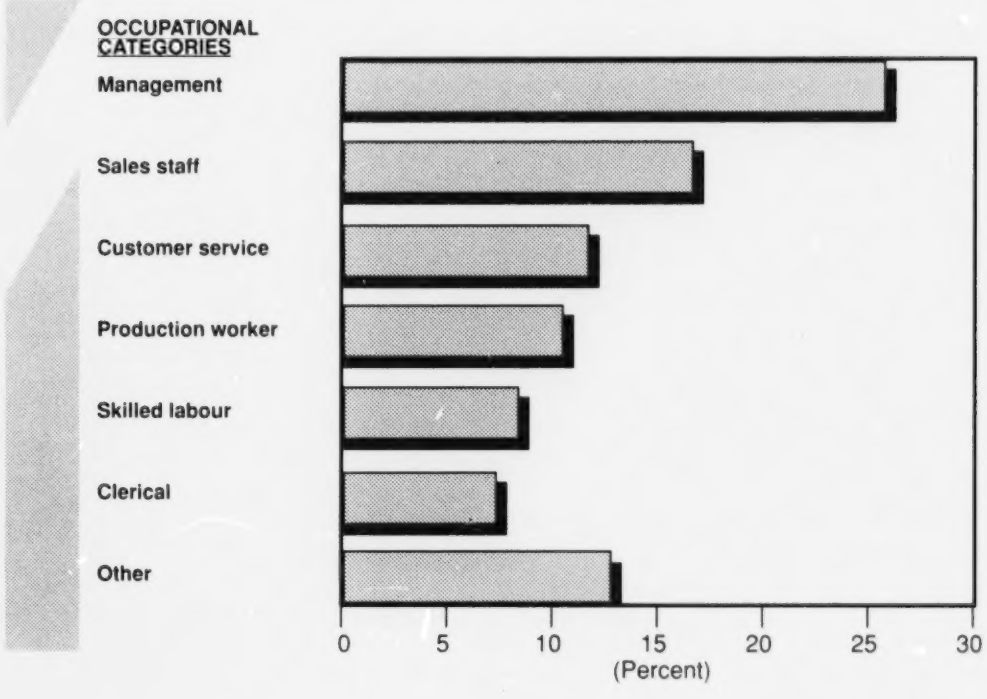
Drawing on the results from the interview and mail surveys, a number of insights into how firms target training by job or occupational category (manager, technical worker, etc.) and by employee category (new workers, older workers, etc.) can be gained.

In most firms interviewed (80%), the provision of formal training is occupationally specific, and for one half of the firms the type of training provided depends on the specific job within the company. In descending order of importance, the occupational groups in these firms which are the main focus of formal training programs are management, sales staff, customer service employees, production workers, skilled labour and clerical workers (see Chart 2).

Employers' priorities in targetting training emerged even more clearly when firms were asked to name all occupational categories to which training is directed. In 72 percent of firms, management is specified as a focus for formal training, while 41 percent identified production workers, and only 9 percent mentioned skilled labour.

CHART II

Distribution of Firms by Main Occupational Focus for Formal Training Programs



Between firms in the goods producing sector and those in the service sector there is some variation in the occupational focus of training programs. In general, firms in the goods producing sector give a relatively higher priority to production and skilled workers and service sector firms place a higher priority on sales staff and clerical workers for training.

Other studies also support the finding that, across the board, management groups are the main focus of training activity.[3] It is notable that skilled and

production workers on the shop floor continue to receive proportionally less training even in a time of rapid technological innovation and increasing international competition.

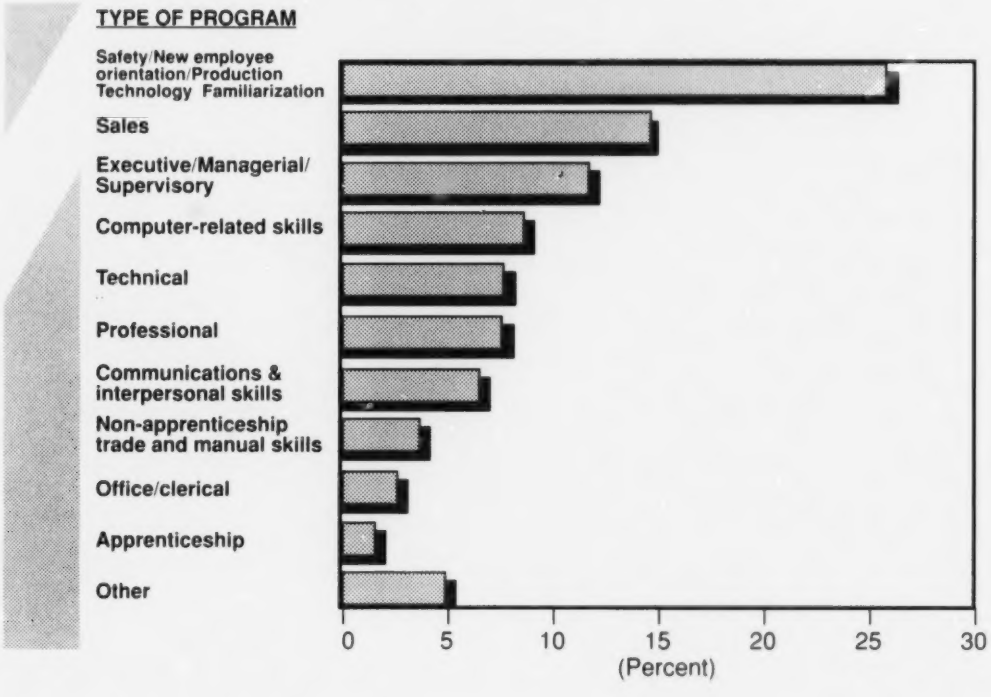
Firms target their training not only by job or occupational category but also by type of employee. New hires are by far the most important trainees, with 62 of the 100 firms interviewed reporting that new employees are a priority for formal training. Other groups mentioned as being a main focus for training include: older employees (at 26 of the 100 training firms), women (at 22 of the firms), disabled employees (12 firms), and minority groups (mentioned by ten firms). (These percentages add up to more than 100 because firms can target more than one group of employees.)

The most important reasons for targetting training programs to groups of employees are to train employees for their specific jobs and to provide orientation. These two purposes were mentioned altogether by three-quarters of firms which target training programs to specific groups of employees and reflect again the importance of training for new employees.

These conclusions are supported by the results from the mail survey. For small and medium sized firms which provided formal training programs to their employees in 1987, training activities have their highest concentration in the safety, new employee orientation and production technology familiarization category (see Chart 3). In terms of employee participation, the next most

CHART III

Percent Distribution of Training Program Participants in Small and Medium Sized Firms by Type of Program, Ontario, 1987

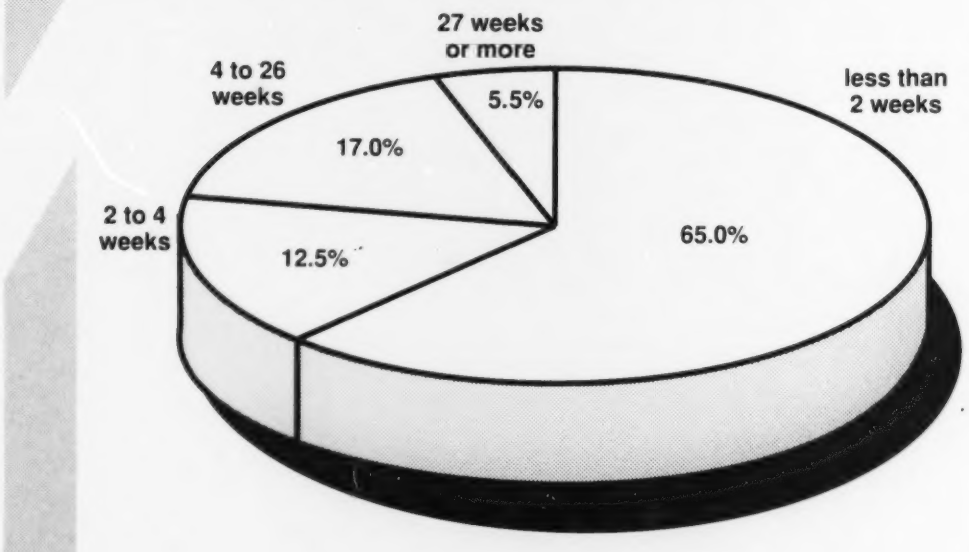


important training programs were in sales, executive/ managerial/supervisory, and computer related skills. The lowest proportions of employees are found in the non-apprenticeship trade and manual, office/clerical, and apprenticeship training program categories.

Given these findings, it is not surprising to find that most training programs in small and medium sized firms are of short duration. Based on the mail survey, approximately 65 percent of the employees who participated in formal training provided by these firms were in programs that were less than two weeks in duration (see Chart 4).

CHART IV

Distribution of Training Program Participants
in Small and Medium Sized Firms by Program Duration, Ontario,1987



To summarize, most formal training programs are occupationally specific and managerial and supervisory job categories are given the highest priority. While firms place importance on keeping abreast of new technologies, training for production and skilled shop floor workers who are most affected by the introduction of process technologies have a much lower priority when it comes to providing formal training programs. Looked at by employee category rather than by job or occupational group, most training is targetted at new employees to develop specific job related skills, which helps explain why most employer-based training programs are of short duration.

CHAPTER 4

THE TRAINING DECISION AND THE EXTERNAL LABOUR MARKET

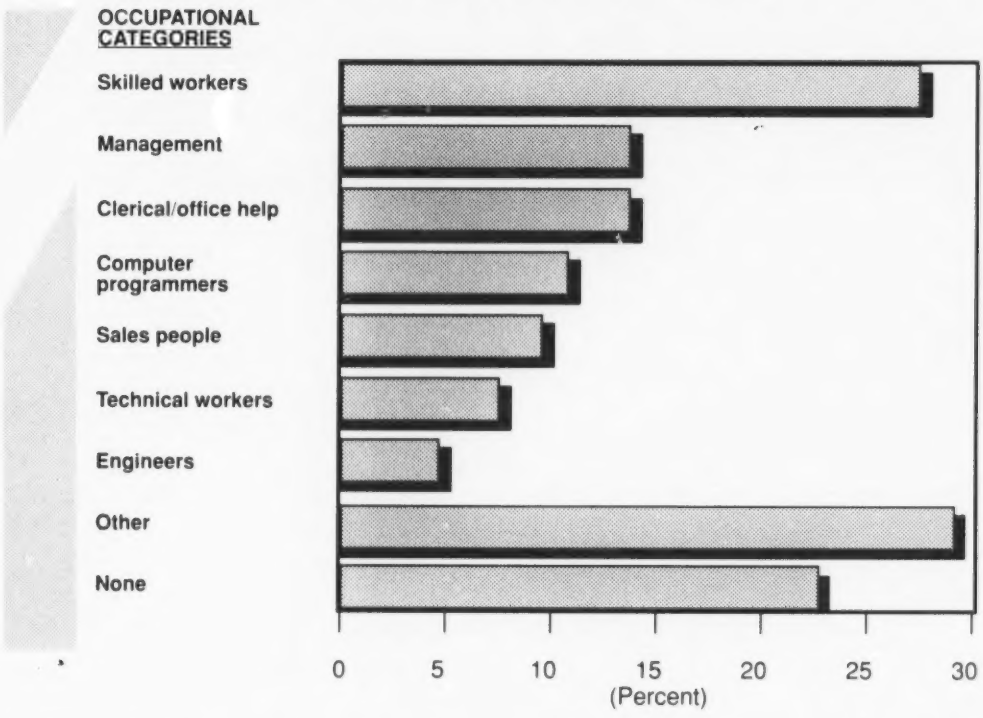
As well as examining why firms conduct formal training and who they train, questions were asked during the interviews to gain an understanding of how private firm training decisions relate to external labour market conditions. At the time of the interviews, Ontario was entering its fifth consecutive year of strong economic growth and concerns were being expressed by many employers about increasing difficulties in recruiting the skilled workers they needed to expand production to meet market demands.

The emergence of shortages in the Ontario labour market was confirmed in the interviews. Over three-quarters (77%) of firms foresee occupational or skill shortages over the next five years. As shown in Chart 5, shortages are expected to be particularly acute in certain skill areas, including: skilled workers (identified by 28% of firms surveyed), management (14%), clerical and office help (14%), computer programmers (11%), sales people (10%) and technical workers (8%).

The specific kinds of skills embraced by these general categories vary widely. For example, an Ontario steel company expects shortages in trade skills in mechanical areas, new equipment handling skills, and in computer language skills. An auto maker mentioned millwrights, tool makers and other "more specialized types of skills."

CHART V

Distribution of Firms' Responses on Types of Occupational Shortages Expected Over the Next 5 Years



A manufacturer of breakfast cereals expects shortages of electricians with electronic skills, instrument, technicians, and control engineers. Such mechanical and electronic skills were mentioned by many firms in the goods producing sector.

The shortages foreseen by service sector firms were of a somewhat different nature. The manager of training and development at a financial institution spoke of the need for skills in "interpersonal relations". Others mentioned the need for sales personnel, technicians to serve as customer service people, and the need for workers with improved communications skills. In general, the survey confirmed the widely held view that the Ontario economy will continue to experience a range of skill/occupational shortages in the years ahead.

In addition to examining the types of skill and occupational shortages that firms expect, questions on how firms usually fill job vacancies were also asked. A majority of the firms (64%) interviewed fill vacancies by hiring externally from the existing pool of trained workers, even though they recognize that shortages of qualified workers to fill higher skill jobs will be a characteristic of Ontario's labour market in the foreseeable future. Other firms stated that the most important way in which they have traditionally filled vacancies for qualified staff is by retraining current employees (24%), or training unskilled new recruits (12%).

Given these patterns, it appears to be more cost effective for firms to fill vacancies for qualified staff by hiring trained personnel from outside rather than by training or retraining. Training for most firms then becomes a matter of orientation and assisting new employees to adapt to their new jobs rather than providing in-depth long duration training.

Probing further, a number of factors determine whether a firm fills vacancies for qualified workers by recruiting trained staff, recruiting less qualified staff and training them, or retraining existing staff. A number of firms (44%) reported they initially assess the feasibility of internal training and promotion; but since recruitment outside is the most significant source of qualified staff, it appears that firms are, generally, not successful in these attempts. The nature of the job or skills needed is the most significant factor, reported by slightly over one-half of the firms.

External labour market conditions were mentioned by 22 percent of the firms as a factor that influences the decision to recruit qualified personnel outside or train less qualified workers.

Firms were also asked how they plan to respond to the shortages which they see developing over the next five years. Most interestingly, two thirds of firms that expect shortages responded that they will mainly address these shortages either by training unskilled recruits or retraining current employees. This, of course, would represent a substantial break with past practices, especially if firms are contemplating sponsorship of long-term training programs to develop workers to fill higher skill technical jobs.

Another concern about the strength of the commitment of employers to meet their skilled labour requirements through sponsoring training programs is raised by findings from the mail survey. For small and medium sized firms in Ontario, it is estimated that only about 27 percent of them provided some type of formal training to their employees during 1987. As shown below, the percent of firms with fewer than 20 employees which provide formal training programs was 23.6 percent while the incidence increases for those with 20 to 49 employees and those with 50 to 199 employees to 52.6 and 60.8 percent, respectively.

PERCENT OF SMALL AND MEDIUM
SIZED FIRMS WITH FORMAL TRAINING PROGRAMS,
ONTARIO, 1987

By Employment Size	Percent of Firms
1-19 employees	23.6
20-49 employees	52.6
50-199 employees	60.8
By Industry Sector[I]	
Goods Producing	26.9
Service Producing	27.4
All Firms	27.3

I. For definitions of goods producing and service producing sectors see Appendix to this report.

Compared to 1984, the last year for which measures on training activities among Ontario's firms are available, the proportion of medium sized firms (50-199 employees) engaged in formal training programs has moved upward from 52.1 to 60.8 percent, while there has been little change for firms in the smaller size categories[4]. This upward shift in incidence for medium size firms is attributable partly to conceptual differences between surveys, but it also reflects a very different economic and labour market environment in 1987 relative to 1984. Between 1984 and 1987, Ontario experienced strong economic growth, a decline in the provincial unemployment rate from 9.0 to 6.1, and the emergence of labour shortages. Over this same period, finding qualified workers to fill job vacancies from the external labour market has become more difficult with a consequent increase in the importance of training among medium sized firms.

CHAPTER 5

THE ORGANIZATION AND ADMINISTRATION OF TRAINING IN PRIVATE FIRMS

The provision of formal training entails planning, budgeting, delivery, and the monitoring and evaluation of training programs. The nature and location within firms of these activities, which taken together constitute the training function, is examined in this section.

The training function can be viewed within the context of a larger continuum of company activities consisting of strategic planning, business planning, human resource management, purchasing, production, sales, accounting, customer service, and so on. In the textbook model, the organization and administration of training would be managed by a separate department within the organization, and would be closely linked to business plans and broader corporate strategic plans and objectives. But based on information from both the interviews and the mail survey, the reality is that there is considerable variety in the ways in which formal training is organized and administered. Unlike other corporate functions such as accounting or purchasing, the training function in most firms is neither centralized nor highly structured.

From the interviews, it became evident that responsibility for human resource planning and formal training programs is located at many levels and operational areas within firms, whether they are large or small, or in the service or goods producing sector. In smaller firms (100 or fewer employees), responsibility

for planning and training tends to centre around the plant or general manager (one-half of all smaller firms). For larger firms, other managers below the level of plant/general manager tend to have the most responsibility for planning and delivery of training (48% of large firms).

The organization and administration of training in Ontario firms tend to be decentralized and "bottom-up" rather than centralized and "top-down". For example, the Director of Human Resources for a large company in food processing noted, "Plans are not centralized. Each major department head is involved with the department managers. Human Resources is involved in management level training."

In answer to the question of who is in charge of human resource plans, the office supervisor of a large firm in wholesale trade said, "the office manager for the office staff, the warehouse manager, the sales manager... it depends who is being trained for whatever is needed --office, sales, etc."

A number of firms reported the existence of a training department in their organizations, but the role and nature of the training department is vague because the actual provision of training is organized and administered in diverse ways. For example, in many firms with a training department, the provision of formal training is organized and administered by managers and heads of departments. It appears, therefore, that the term "training department" is broadly defined, and in many cases means no more than that there is a position in the firm that has been assigned some responsibility for co-ordination or record keeping on training activities.

For some firms, the training function is centralized for specific occupational categories -- for example, executive training -- and decentralized for others, such as production and skilled workers on the shop floor. In other firms, each department head is primarily responsible for organizing and administering the provision of training, with co-ordination being provided by a Human Resource Department. In smaller firms there is little formal structure or planning around the training function; training is provided as needs arise.

In regards to training plans, 40 percent of the firms interviewed did not have any formal training plans on either an annual or shorter or longer time frame. By size, close to one-half (49%) of the small firms (under 100 employees) and over one-fourth (27%) of the large firms are in this category.

The Firm's Training Budget

Because responsibility for planning, organizing and delivering training tends to be delegated down to plant, department or unit managers within companies, corporate training budgets and the way in which training budgets are determined -- if they are available at all -- vary widely. In fact, the most frequent kind of response (34 of the 100 firms interviewed) to the question -- "How is the training budget determined and balanced against other expenditures?" -- was that there is "no training budget" or that "firms spend what they need to". A further 20 percent of firms said that the matter was left up to head office and individual managers. In only about one-quarter of the firms interviewed are estimates and projections of corporate training expenditures developed or a fixed percentage of the total operating budget set aside for training.

While a higher proportion of large firms than small firms have training budgets, a pattern of unstructured, decentralized training budgets and expenditures is apparent across the board. For example, in one of the largest firms interviewed training costs are reported to a vice-president, but there is no formal training budget. This same firm characterized its human resource plans as "reactive." Similarly another large firm reported: "There is no corporate training budget. Each management group will have a training budget which is determined on a needs basis." Almost the same response came from a small home renovations firm in the construction industry, "There is no set plan or budget. It's an as-you-go situation. No money is set aside for such a budget."

In some cases there is a budget for management development but not for other types of training costs, which are simply charged back to the individual units or departments. Some firms, of course, do have more formal budgeting procedures. At a large company in retail trade, annual training objectives and associated funding requirements are submitted to the division heads for approval.

In general, just as the decision to train is made at many places in the corporation, so training expenses are charged to many budgets. The decentralized nature of budgets and expenditures for training is reflected by the fact that approximately one-half of the firms interviewed could not easily provide a dollar figure on the total amount of money spent on formal training programs during the firm's last fiscal year.

Use of External Suppliers of Training Services

A firm has three ways in which it can deliver a training program to its employees. It can provide the whole program in-house or it can buy the whole program outside the firm. The third option is some combination of in-house and external training.

Most firms interviewed use outside training services to meet some of their training requirements, but the predominant pattern is to minimize use of external suppliers. On average, the split between the amount of training done in-house and contracted out is approximately 70 versus 30 percent.

Factors which influence the choice of external training suppliers are the job/occupational category, the availability of programs offered, the cost of external training relative to in-house training, the perceived quality of the course offered, and whether or not the employer is able to do the training internally. In regards to the quality of outside suppliers, a large majority of firms are either very satisfied (42%) or somewhat satisfied (37%) with the services of external training suppliers.

Two-thirds of the firms interviewed maintain links with outside education and training organizations. The most common connection (in one-third of cases) is with colleges or universities and the second most frequently reported link was through membership in an association or federation. But there is a wide variety of interaction between training firms and outside institutions from which both sides appear to gain. A number of training firms use outside educational institutions to provide courses for their employees,

while staff at some training firms also teach at colleges; others serve on their boards of directors. A few firms provide work programs for university or high school students. These inter-relationships between the educational system and the workplace are linkages that should be encouraged and strengthened because of the contributions they can make to the relevance and quality of training.

Evaluation of Training

In the interviews almost all of the firms noted that they undertake some assessment of the effectiveness of the formal training programs they provide. The most predominant methods they reported are monitoring the employee's performance and productivity (51%), and performance evaluation by staff (22%). Thus, the acid test is whether or not the employee's performance on the job improves as a result of training. This makes sense given that the responsibility for planning and delivery of training is delegated down to departmental managers and that the primary objective of training is to improve performance.

Findings from the mail survey on the organization and nature of the training function in small and medium sized firms are also of interest. Most small and medium sized firms which provide formal training do not have separate training units. Overall, only about 5 percent have such a unit. Further, only 24 percent of firms had an employee on staff whose full-time primary function was to work as a trainer.

Only 17 percent of small and medium sized firms which provide formal training for their employees have separate training budgets. The larger the firm, of course, the

more likely it is to have such a budget. Where separate budgets do exist, however, there is no uniformity in how they are constructed. For example, slightly over fifty percent include tuition paid on behalf of the employees, purchase of training materials, and travel and accommodation. Close to 60 percent do not include such real cost items as wages and salaries of trainees while away from the job, instructors wage or salary cost, or administration or overhead costs. With respect to expenditures for training as opposed to budgets, 26 percent of the firms could not provide an estimate on total training expenditures during 1987.

The mail survey findings on use of external suppliers of training among small and medium sized firms were similar to the results from the interviews. About 68 percent of firms' training needs are met through internal programs and approximately 34 percent through the purchase of courses from public or private training suppliers (educational institutions, private training institutions and firms).

CHAPTER 6

PRIVATE SECTOR'S VIEWS ON ROLE OF GOVERNMENT IN TRAINING

To gain insights into the views of private firms about whether or not there is a role for government in training, the nature of the role, and the types of services government should provide, questions were posed on these items during the interviews.

A large majority of the firms interviewed (77 out of 100) believe that government has a role to play in job training. Of these, 36 see government's role as one of providing financial support to trainees, while 34 stated that the role should be to provide job training programs.

When the focus of the interview shifted to the types of services government should provide in the area of training, the responses clustered around two main categories -- certification and counselling.

Firms were also asked what government's role should be in long-term versus short-term training programs. In support of long-term training programs, the area for government involvement most frequently mentioned was setting training requirements and standards, closely followed by subsidization of training costs. The next most important response category was for government to directly provide training programs.

In short-term training programs, the most important role for government was viewed as subsidization of training costs. While many firms simply said the government should provide more dollars to defray training

costs, others emphasized the need for government to provide more information on assistance programs and to promote these programs as widely as possible. Perhaps not surprisingly given the nature of short-term training programs, establishing training requirements and standards for training were not seen as important functions for government compared to long-term training programs.

Slightly over one-half of the firms do not see government programs having an effect on their training decision, while one-fifth of the firms interviewed indicated that government programs encouraged their formal training efforts. Another 9 percent said public sector programs had discouraged training.

On the use of government programs, forty of the 100 firms interviewed had received some form of government assistance for training over the previous year. Among these, firms in the goods producing sector and large firms had the highest representation compared to firms in the service sector and small firms. Of those firms that used government training programs, Ontario Skills was used more than any other.

Awareness among employers about available government programs to assist in training could be strengthened, particularly among small and medium sized firms. According to the mail survey, 13 percent of small and medium size firms were aware of one or more of the training assistance programs sponsored by the Ontario Ministry of Skills Development[5]. For the federal Canadian Jobs Strategy programs, about 24 percent of small and

medium sized firms were aware of at least one program[6]. Just as the proportion of firms which train and the resources devoted to training increase with firm size, so does awareness of government programs.

CHAPTER 7

PRIVATE SECTOR TRAINING AND GOVERNMENT ASSISTANCE PROGRAMS

The findings presented in the previous five chapters have implications for government policies and programs. From an economic perspective, governments are increasingly aware of the contribution a well-trained, skilled and flexible work force can make towards strengthening our international competitiveness. In response to tough competition from newly industrialized and emerging industrial countries based on a combination of low labour costs and capital investment, the challenge for advanced industrial countries is to adopt new technologies to improve productivity and to shift resources to higher value added economic activities which involve substantial inputs of knowledge, high level skills and capital.[7] The formal training programs that individual firms provide for their employees, especially those to assist employees adapt to new technologies, undoubtedly contribute to the overall objective of improving competitiveness.

The fundamental question, however, is how to use limited public sector resources in support of skills training programs which will best complement private sector activities and yield maximum economic benefits. Before pursuing this discussion, it is worthwhile to review a number of the main research findings:

- Most training programs provided by private sector firms are of short duration (under two weeks) and the objective of these programs is to gain a

competitive edge by improving the performance of employees and their ability to adapt to new technologies.

- Management, supervisory and sales are the categories that receive the highest priority for training in most private sector firms with the clerical, production and technical categories being at the low end of the priority scale.

- Firms' training programs are heavily concentrated on providing new employees with the specific skills they need to perform well in their jobs, and at upgrading the skills of other employees.

- Although training firms foresee shortages of skilled workers, the majority of them continue to recruit skilled workers in the external labour market and provide them with short-term training programs to bring them up-to-speed in their new jobs as quickly as possible.

- Most small and medium sized firms have little training expertise, and even in large firms, existence of a training department may mean no more than that some responsibility for co-ordinating training has been assigned to a senior level position.

Since firms which provide formal training concentrate mostly on short-term training to meet their own particular needs and because the benefits flow mostly to individual firms, it makes sense from a public policy perspective to have the private sector take the lead in the provision of short-term training. However, since only

slightly over one-quarter of small and medium sized firms in Ontario provide formal training programs for their employees, government can contribute to developing a training culture by assisting firms to enter the training business through programs like Ontario Skills.

As well, since many firms involved in training have neither training departments nor trainers, government can help private firms strengthen their expertise in areas like needs analysis and training plan design. Government can also assist by sponsoring train-the-trainers programs and by providing information on training courses. These kinds of initiatives can both help firms enter the training world and strengthen the quality of training, but without making them permanently dependent on government assistance.

What constitutes constructive public policy responses to encourage more long-term training programs depends on the nature of the training programs private firms can reasonably be expected to sponsor for workers, and how public sector resources and initiatives can best complement the training activities of private firms. Although firms are encountering shortages of high skilled workers across a broad range of occupations and foresee these shortages as a continuing characteristic of the labour market, research findings reveal that most firms still look outside for qualified workers, rather than upgrade existing staff or hire and train less qualified workers. As the real costs associated with skill shortages rise, firms may place a higher priority on long-term training than in the past; but the evidence to date indicates that a marked change in behaviour in this regard is not to be expected.

In light of these realities, it appears that government has an important role to play in encouraging more long-term training in the private sector. In pursuing this objective, government could become more active in establishing training course content and minimum standards of competence based on industries' requirements, and providing certification for workers who complete prescribed programs. Consideration could also be given to encouraging private firms to participate in long-term training programs by strengthening the institutional training system, particularly the college system. This could be done through providing resources to strengthen the position of the colleges to better meet industries needs through cooperative programs, and by providing training allowances to individuals to increase the volume of trainees in long-term training programs.

As well, government could play a useful role by providing firms with periodic benchmark information on training activities across industry sectors and in other countries. Firms would then be in a much better position to assess their own performance against industry norms, and those of their competitors in other countries.

Finally, government could play a stronger leadership role through articulating a training strategy within a framework of labour market needs in the next decade. An important part of this strategy would be to identify objectives to be met and propose the co-operative arrangements between employers, workers and government to meet the future demands for skilled workers in the economy.

NOTES

1. Building a Training System for the 1990's: A Shared Responsibility, Ministry of Skills Development, Toronto, February, 1989.

2. Report to the Premier's Council: Competing in the New Global Economy, Volume I; and Industry Studies, Volume II, Province of Ontario, Queen's Park, Toronto.

3. Training, The Magazine of Human Resources Development, October 1986 "Where the Training Goes", Gordon, Int., p. 49, Trends in Corporate Education and Training , The Conference Board, New York, N.Y., 1985, p.7, Training, The Magazine of Human Resources Development, October 1985, "Where the Training Dollars Go", Chris Lee, p. 51-52.

4. Based on special tabulations from the 1984 Training in Industry Survey undertaken by the Ontario Manpower Commission, the incidence of formal training in 1984 for small and medium sized private sector firms (i.e., excluding health, education, welfare and government services) is estimated at 26.0 percent. By size of firm, the incidences are estimated at 23.9 percent for firms with fewer than 20 employees, and 50.6 percent and 52.1 percent, respectively, for firms with 20 to 49 employees and 50 to 199 employees.

5. The mail survey respondents were asked if they were familiar with any of the following Ontario Ministry of Skills Development training assistance programs: Ontario Skills, Ontario Basic Skills, The Training Consulting Service, Trades Updating, and Transitions.

6. The mail survey respondents were asked if they were familiar with any of the following Employment and Immigration Canada's "Canadian Jobs Strategy" programs: Job Development, Job Entry, Skill Investment, Skill Shortages, Innovations and Community Futures.

7. For a review of both labour market demand and supply side issues in Ontario see: Adjusting To Change: An Overview of Labour Market Issues in Ontario, Ministry of Skills Development, Toronto, June, 1988.

APPENDIX

SURVEY METHODOLOGY

To obtain information on why firms train, organization of training, incidence and types of training, the overall project involved two separate phases. These were an interview phase to obtain qualitative information from firms and a mail survey to obtain empirical information on training activities.

For both the interview and mail survey of small and medium sized firms, data were collected and tabulated by Gallup Canada Inc. on behalf of the Ministry.

Personal Interviews with Firms

Personal interviews were conducted with 100 firms which provided formal training for their employees in 1987. The interviews were conducted in January 1988 utilizing a semi-structured questionnaire. The sample of 100 firms was drawn to reflect the diversity of industrial sectors (agriculture was excluded) and firm sizes in the province.

The 100 firms were distributed fairly evenly between firms with fewer than 100 and more than 100 employees; 66 percent of the firms were from the service producing and 34 percent from the goods producing industries. About half of the interviews were conducted around the Metropolitan Toronto area (Hamilton to Oshawa) with the remainder in Ottawa, Windsor, London and Northern Ontario (Sudbury and Thunder Bay).

The Mail Survey

The data presented in this report from the mail survey of small and medium sized firms in Ontario is part of a larger survey project undertaken in co-operation with Canada Employment and Immigration and Statistics Canada. In this larger survey Ontario collected information from small and medium sized firms while the federal government is surveying large firms plus a unique sample of small firms as part of a national survey. Under the arrangements, data collected from Ontario firms will be shared between the federal government and the Ministry of Skills Development.

1. Survey Population for Small and Medium Sized Firms

For the Ontario survey of small and medium sized firms, Statistics Canada's Business Register File was the source for drawing a sample of firms in the less than 200 employee size category. Sample units were drawn using a simple random sampling scheme by industry and employment size groups for the following sectors:

Goods producing sector:

- primary industries, except farms
- mining
- construction
- manufacturing

Service producing sector:

- transportation and storage
- communications and utilities
- wholesale trade
- retail trade
- finance and insurance
- real estate and insurance agents
- business services
- food and accommodation
- other services, except private households and membership organizations

Upon receipt of the sample the Ministry took full responsibility for data collection, data processing and statistical analysis for the mail survey of small and medium sized firms in Ontario.

2. Non-Response Analysis

To assess bias attributable to non-response one-hundred telephone interviews with non-respondents were undertaken to seek basic background data and information regarding the incidence of formal training during 1987, the survey reference period.

3. Verification of Response

A verification check with a sample of 100 responding firms was also conducted.

4. Survey Response

Information on total initial sample, sample after screening, response and usable response is provided below.

- Total initial sample: 2,394
- Sample after screening: 1,751
- Total completions received: 607
- Total rejected (questionnaires containing incomplete information, out of scope, etc.): 44
- Total accepted for analysis: 563

5. Weighting Procedures

To produce estimates on incidences of formal training programs by employment size and industry sector, matrix-weighting by industry within size groups was applied. Information obtained through analysis of non-respondents and the verification check for respondents was incorporated in developing weights.

Ontario

Ministry of Skills Development

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